

## AGRICULTURAL POLICY INSTRUCTION FOR A NEW ERA

Carl Zulauf

Francis B. McCormick Professor of Agricultural Marketing and Policy , Ohio State University

July 1997

### THE OLD POLICY COURSE

- The pre-1990 major in agricultural economics required that all students take an agricultural policy course. This five-hour course was taken during the senior year. For practical purposes it served the role of a capstone course in the major.
- The course was a traditional farm policy course. It explored "the economic characteristics of the U.S. farm sector and policy prescriptions for its economic illnesses." (see attached syllabus for Agricultural Economics 530)
- The course emphasized the economic underpinnings of farm policy rather than policy mechanics. Its intellectual core was an article by Houthakker. This article ascribed the low farm income problem to the interface between inelastic supply, inelastic demand, and rapid technological change in the farm sector.

### DRIVERS OF CHANGE

- ▲ In 1989, the Department of Agricultural Economics began a review of its major as part of a university-wide curriculum review. This was the first comprehensive review in almost 30 years.
- ▲ Curriculum review occurred during a time in which several changes in the attributes of our majors were coming to the fore. Of primary importance were ① the growth in students from both non-farm and non-rural backgrounds and ② a shift in demand to graduates with business skills and away from graduates with economic skills.
- ▲ Department resources were significantly cut.
- ▲ A paradigm shift in U.S. farm and food policy was occurring (Tweeten and Zulauf). It began with the *Food Security Act of 1985* and continues with the *Federal Agricultural Improvement and Reform Act of 1996*. Structural change had created a farm sector with income parity, fewer unique characteristics, and a much smaller population. The latter two changes deprived the farm sector of its ability to drive the policy agenda as a sole actor. Hence, farm policy has increasingly become a subset of a broader national policy toward business. The result is an agricultural policy agenda more diverse than simply farm income, and a shift from income and price support for farmers for income equity reasons to income support for environmental efficiency reasons (Zulauf).
- ▲ The net result of these drivers of change was a confluence of ① the need for change in the subject matter taught in the policy course and ② the ability to implement change through curriculum review.

## THE NEW POLICY COURSE

- The new curriculum required that all majors in Agribusiness and Applied Economics take a three credit-hour course, titled "Economics of Policy Analysis." The course is targeted at seniors, and has a prerequisite of intermediate microeconomics.
- The course "examines the economic concepts used to analyze public policy from a welfare economics perspective." (see attached syllabus for Agricultural Economics 503)
- After developing the foundation concepts, including the two theorems of welfare economics; discussion focuses on potential situations in which the private market fails to maximize economic efficiency. These situations include monopoly, information failures, externalities, and public goods. Externalities receive the most attention. Examples cover a wide variety of topics.
- Some attention is devoted to public choice issues, including Arrow's Impossibility Theorem.
- Commercial farm policy is not discussed. However, some of the examples have a farm, environmental, or rural development component. Environmental examples are prominent.

## EVALUATION

- ✓ Only two students took both classes; thus it is impossible to do a pre- and post-test. They reported that the classes had little overlap except for the review of basic microeconomic principles.
- ✓ The two students echoed what I believe would be the primary student opinion: the new policy course is more relevant to the world in which we are making our way (i.e., it is a '90s course).
- ✓ One downside is that some students would like exposure to farm policy. Limited departmental resources prohibit offering a course in this area. Given limited time, I do not discuss farm policy in Agricultural Economics 503. One could easily incorporate topics such as conservation compliance, swampbuster, and conservation reserve. One reason I have not incorporated these topics is that a lot of time must be spent explaining all the jargon and unique terms that have evolved in farm policy. It is worth noting that no student has ever mentioned the need to add a section on farm policy.

## REFERENCES

Houthakker, H. S. *Economic Policy for the Farm Sector*. Washington, DC: American Enterprise for Public Policy Research. 1967.

Tweeten, Luther and Carl Zulauf. "Public Policy for Agriculture after Commodity Programs." *Review of Agricultural Economics*. Forthcoming.

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